

Project Document (Annex A format)

Innovation Bridge

Business instrument (E4) as part of the Danish Business Initiative

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Abbreviations

AMG	Aid Management Guidelines
B2B	Business-to-Business
DGBP	Danida Green Business Partnership
DMDP	Danida Market Development Partnership
DVFA	Danish Veterinary and Food Administration
EIFO	Export and Investment Fund of Denmark
G2G	Government-to-Government
GAPEED	Government's Action Plan for Effective Economic Diplomacy
GBER:	General Block Exemption Regulation
GMP	Good Manufacturing Practices
ICT	Information and Communication Technology
IFDK	Investment Fund Denmark
IFU	Investment Fund for Developing Countries
MFA	Ministry of Foreign Affairs
MTR	Mid-Term Review
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
RBC	Responsible Business Conduct
SAT	Sector Advisory Team
SC	Sector Counsellor
SME	Small and Medium-sized Enterprises
SOP	Standard Operating Procedure
SSC	Strategic Sector Cooperation
TC	Trade Council
ToC	Theory of Change
UN	United Nations

1. Introduction

This document describes the Innovation Bridge, an early maturation and demonstration facility for public-private projects. This facility is one of five instruments under a new overarching business support initiative to achieve the Danish Government's ambitions on greater engagement by the private sector in the developing countries.

The overarching initiative follows from the fundamental principle that private sector engagement can be mutual beneficial and contribute to sustainable economic growth and job creation both for partner countries and for Denmark. A proactive effort is needed to scale-up engagement of businesses in the developing countries, and therefore the Danish Government has launched a palette of five instruments to deliver this. A Strategic Framework document lays out the specific objectives and umbrella that will guide the instruments and future related efforts under the initiative. Box 1 lists the five instruments.

Box 1 – Five instruments under the Danish business initiative

- E1 – Business Explorer
- E2 – Business Partnerships
- E3 – Impact Accelerator
- E4 – Innovation Bridge
- E5 – Impact Investor

The Innovation Bridge facility pursue the Strategic Framework's strategic objective, and particularly supports partnerships between commercial, non-commercial and public sector actors on ventures to test and demonstrate technology and sustainable solutions contributing to tackling development challenges in developing countries and emerging markets. The facility is designed to align with, and build on development programmes engaging with public sector authorities funded by the Ministry of Foreign Affairs (MFA).

The facility contributes to the broader development impact and market creation objectives set out in the Strategic Framework by supporting feasibility studies and demonstration projects that reduce market barriers, strengthen local value chains and create pathways for scaling commercially viable solutions with development impact.

The five instruments under the new initiative are designed and managed to ensure synergies and complement each other, with focus on coherence both mutually and with the wider set of Danish supported private sector engagement measures at country-level.

Support under the instruments will be available in countries eligible for official development assistance (ODA), based on the criteria of the Organisation of Economic Cooperation and Development (OECD)'s Development Assistance Committee (DAC), and with a Danish representation. This covers a mix of low- and middle-income countries, with some invariably also classified as Emerging Markets and Developing Economies (EMDEs), hereafter be referred to as eligible low- and middle-income countries.

2. Context, main actors, rationale and justification

2.1 Policy alignment

Denmark's Strategy for Development Cooperation, *A Changing World - Partnerships in Development* (2025) and the Action Plan for Effective Economic Diplomacy (2025) (GAPEED) provide the strategic foundation for the E4 facility. Both policy frameworks underline the need for a balanced approach that promotes inclusive and sustainable economic transformation in the developing countries, combining regulatory reforms with the mobilisation of private sector solutions. The innovation bridge facility

operationalises this vision by enabling partner authorities and companies to jointly explore, test and validate concrete, locally relevant technological and system-based solutions through feasibility studies and demonstration projects.

The Strategy for Development Cooperation identifies private sector engagement as a cornerstone of Denmark's contribution to achieving the Sustainable Development Goals. The strategy recognises that public funds alone cannot meet the scale of global development challenges and that private investment, innovation and technology, particularly in Danish strongholds (see textbox) play a decisive role in accelerating green, inclusive and climate-resilient growth. At the same time, the strategy emphasises that such engagement in complex or underdeveloped markets requires effective de-risking mechanisms to address market failures, information gaps and regulatory uncertainties.

Box 2 – Danish Strongholds

A strict definition of Danish Strongholds will not be used. GAPEED highlight e.g.: Energy, water, environment, life science, food, agriculture and bio systems, digitalisation and circular economy. In addition, Clusters are defined [here](#).

The Innovation Bridge facility is a key instrument within this architecture. It is designed to address the early-stage barriers that often prevent promising public-private ideas from maturing into viable public-private collaboration and bankable investment projects. By providing funding for feasibility studies and demonstration activities, the facility enables private companies to engage with national authorities, Danish embassies, local industry organisations, and NGOs to jointly develop and test solutions that respond directly to local needs and national priorities.

2.2 Context - main development challenges and opportunities

Despite a strong global economic rebound since the Covid-19 period, and the growing importance of developing and emerging economies in global trade and investment, the world remains significantly off track in achieving the Sustainable Development Goals (SDGs). UNCTAD estimates an annual SDG financing gap of USD 4 trillion, an indication of the reality that governments in many developing countries are unable to provide basic services to the populations, particularly impacting the most vulnerable people and people living in poverty. Persistent job deficits, limited income opportunities, climate and environmental crises, and inadequate access to basic services such as water, health, and education point to a widening development gap.

Box 3 Fundamental SDG problems

- Poverty reduction advances are in reverse, with one in ten living in extreme poverty and heavy concentration in low-income countries, especially Africa, due to covid impacts, economic instability, climate shocks, and conflict. Job and income creation are essential, but also action to raise social protection coverage and close social service gaps in developing countries, targeting the most vulnerable. Basic social protection in low/middle-income countries (LMICs) requires extra 1.4 trillion USD/year.
- The climate and environmental crisis and too slow progress on the Paris Agreement's "1.5°C"-target put the world off-track on SDG13. CO2 reductions and the green transition must accelerate. Almost half the total SDG investment need concerns climate, with almost half the gap to be met through private finance.
- Lack of access to safe water faces more than 2 billion people globally, despite being a human right, and SDG6 is off track. The private sector can contribute with investments, technical solutions, know-how, and innovative water provision through public-private partnership but need catalytic investment.
- Several other SDGs are far off-track. Universal health coverage remains a distant target and prevalence of non-communicable diseases is rising in middle income countries. SDG4 on education is significantly behind target, with almost 800 million illiterate people in developing countries, the majority women, and millions of children not in school. Governments remain main funders and providers in social sectors, but businesses and philanthropies are increasingly active, funding and experimenting with new financing models for providing social services.

Achieving the SDGs, requires mobilising resources and capabilities beyond the public sector. The private sector plays a critical role by bringing investment capital, technology, operational expertise, and innovation that is essential for overall factors such as sustainable economic growth, job creation, and the green transition. However, in many low- and middle-income countries, high market-entry risks, regulatory uncertainty, and weak institutional frameworks constrain early-stage private investment. Promising solutions often fail to move beyond the concept stage because companies and investors lack the incentives or risk appetite to test new technologies or business models in complex and underdeveloped markets.

These challenges are fundamentally systemic. Many development bottlenecks lie at the intersection of regulation, markets, and service delivery and cannot be resolved by either public or private actors alone. Effective responses therefore depend on structured public-private collaboration, often complemented by non-commercial actors that bring policy insight, contextual knowledge, and social and environmental safeguards. Such partnerships are essential to align commercial solutions with public priorities, reduce risk, and ensure that development benefits are both credible and sustainable.

Lessons learned

Over the past decades, Denmark's Government to Government¹ (G2G) cooperation has delivered strong results in strengthening institutions, improving regulatory frameworks, and enhancing sector governance in partner countries. Through these long-term engagements, Danish embassies, programmes and facilities have developed deep sector expertise and close working relationships with partner authorities. This has led to tangible progress across sectors aligned with Danish strongholds.

However, despite these achievements, the G2G cooperation has not systematically translated into increased private sector involvement. Nor has it generated the demonstration of private sector scalable and sustainable solutions that directly address partner countries' development priorities. At the same

¹ G2G cooperation refers to direct collaboration between public authorities in Denmark and public authorities in partner countries, undertaken within the framework of Denmark's development cooperation and anchored in public mandates, sector policies, and national systems. The SSC is one example of an G2G.

time, partner authorities are increasingly calling for practical demonstrations of technologies and operational models that complement the ongoing capacity building and reforms. These requests reflect a shared need for solutions that can be adapted to local conditions, tested in context, and prepared for larger-scale investment.

Lessons learned, from different G2G engagements including e.g. the Strategic Sector Cooperation (SSC), show that many ideas emerging from SSC-projects for engaging private sector actors remain undeveloped, because neither partner authorities nor companies have access to early-stage financing for feasibility studies and demonstration activities². Through study tours, trade fairs, business conference etc. SSC public authority partners are exposed to private sector solutions in Denmark and in own country, and dialogues and engagements emerge. The dialogues, however, often do not evolve to tangible initiatives due to lack of resources within the G2G cooperation to drive and facilitate the next step for concrete collaboration. Funding is lacking to enable the first testing of mutually developed ideas.

Rationale and justification

The Innovation Bridge facility is grounded in the recognition that many contemporary public sector regulatory and governance challenges are increasingly shaped by rapid technological change, complex systems integration, and evolving market practices. While public authorities retain the mandate to set policy, regulate, and enforce compliance, they are often not institutionally equipped to design, test, or operationalise advanced technological or systems-based solutions. This creates a structural gap between regulatory ambition and practical implementation that can inhibit effective reform. Furthermore, many governments struggle to deliver public goods as e.g. water, sanitation and energy to its citizens in a sufficient quality and scale. Partnerships with private actors could bring forward private solutions to delivering public good services.

Public authorities are typically organised and resourced to perform core sovereign functions such as legislation, standard-setting, and oversight, whereas they are not always designed to undertake applied research and development, prototyping, or iterative system testing. By contrast, private sector actors operate at the technological frontier, investing in innovation, developing scalable solutions, and accumulating practical knowledge through actual deployment. Supporting feasibility studies and demonstration projects in collaboration between the public and private sector therefore enables public institutions to access innovation capacity that lies outside the public sector's core competencies.

Feasibility studies supported under the facility will play a critical role in reducing uncertainty at an early stage. Regulatory and policy reforms often involve legal, political, and financial risks, particularly where new technologies or operational models are introduced. Structured feasibility assessments allow public and private partners to jointly examine technical viability, regulatory compatibility, cost structures, institutional implications, and potential risks before larger commitments are made. This evidence-based approach supports more informed decision-making and reduces the likelihood of costly or ineffective public sector regulatory reforms.

Demonstration projects constitute a further, essential step in translating feasibility into practice. Many regulatory challenges are systemic rather than purely legal in nature, involving workflows, data systems, compliance processes, and interactions among multiple public and private actors. Demonstration projects allow end-to-end solutions to be tested in controlled settings, generating empirical evidence on performance, scalability, compliance implications, and unintended effects. Such pilots provide regulators with concrete insights solving real world development challenges that cannot be generated through desk

² See e.g. MFA Mid-Term Review of SSC (Dec. 2025).

studies alone, and allows private business to test commercial and scalable technologies and system solutions that contribute to sustainable development in new settings.

Importantly, the foreseen demonstration projects do not substitute public authority or policy-making. Rather, they serve as learning and evidence-generation mechanisms that enable public institutions to better understand what is technically and operationally possible, and under which conditions. The facility will therefore be designed to ensure that public interest safeguards, transparency, and regulatory independence are upheld, with clear governance arrangements defining roles, responsibilities, and decision-making authority.

Participation in the facility may offer strategic and commercial insights for private businesses seeking to operate in regulated or emerging markets. The projects may not generate business in the short term, but by engaging in jointly governed feasibility studies and demonstration projects with public authorities, companies gain early insight into regulatory priorities, institutional constraints, policy trajectories and build network. Thus, this engagement allows the companies to adapt solutions proactively and reduce market-entry risks. The E4 facility aims to provide a structured and credible platform to test and showcase technologies or system solutions in a specific public sector context, generating evidence of technical viability, compliance, and value-for-money that can be leveraged for future scaling, replication, and investment. Collaboration with public authorities and development partners enhances companies' market insights, credibility, visibility, and track record, particularly in markets where trust, compliance, and long-term partnerships are critical.

In addition to de-risking reform processes, joint public-private collaboration under the E4 facility will contribute to institutional learning and capacity development within partner authorities. Through structured collaboration, public sector counterparts can strengthen their technical understanding, refine regulatory frameworks, and build internal capacity to oversee and regulate new systems and technologies. Over time, this contributes to more proportionate, implementable, and future-proof regulation with legitimate and sustainable collaboration with private sector.

In summary, the Innovation Bridge facility addresses a critical gap between regulatory objectives and practical implementation by enabling feasibility studies and demonstration projects that combine private sector innovation with public sector mandate and oversight. By supporting well-governed public-private collaboration at early stages of reform and investment, the E4 facility will help unlock private sector scalable solutions to regulatory challenges while safeguarding public value, accountability, and long-term sustainability.

Linked to Danish G2G programmes, the facility will contribute to long-term impact by addressing upstream regulatory, institutional, and market barriers that prevent socially and environmentally beneficial business models from being tested, adopted, and scaled in developing and emerging markets. By de-risking feasibility studies and demonstration projects aligned with public mandates, E4 enables inclusive, commercially viable solutions in areas such as energy, water, food systems, and climate resilience, creating pathways to job creation, improved access to services, and reduced environmental harm. Over time, successful models can be replicated and embedded within national systems and markets, contributing to sustainable poverty reduction, social development, and the green transition.

The rationale for establishing this facility is rooted in three intersecting developments:

- **First**, a demand from local public authorities for demonstration of concrete, context-specific solutions implemented by private sector companies, showing how sustainable systems or

technologies function in practice within the private sector. Such demonstrations provide reassurance that new models are viable, cost-effective, and aligned with national priorities. Years of cooperation between Danish authorities and partner governments have revealed this demand.

- **Second**, the significance of feasibility studies and pilot demonstrations to de-risk larger investments, while such are rarely supported by traditional donors or commercial actors. Without closing this gap in support options, potential public-private collaborations do not progress, and development opportunities remain dormant.
- **Third**, Exposures (study tours, trade delegations etc.) can play an essential role in public authorities seeing opportunities for applying new technological or systemic solutions and understanding which and how private actors contribute. Partner authorities, supported by sector counsellors, bilateral country programmes and TCs, possess unique sector knowledge and insights to private sector partnerships that enable them to identify promising opportunities for public-private collaboration.

Together, these developments illustrate how feasibility studies and demonstration projects can contribute not only to individual projects but also to broader market creation, institutional learning and future investment opportunities.

The Innovation Bridge facility therefore responds to an identified need to:

- Create a pipeline of viable investment opportunities grounded in local demand.
- Connect private sector expertise with partner countries public sector development challenges.
- Facilitate alliances between partner authorities, private companies, non-commercial partners, and private sector organisations.
- Strengthen the interface between G2G cooperation and commercial innovation.
- Support Denmark's global priorities on green transition, sustainable economic development, and equal partnerships.

3. Objective, outcomes and critical assumptions

3.1 Objectives and outcomes

Together with the other four business instruments, the Innovation Bridge facility contributes to the high-level objective defined in the Strategic Framework, “an upscaled and strengthened private sector contribution to sustainable development, job creation, and inclusive growth in the low- and middle-income countries”.

The **strategic objective** of the facility, is:

- Public authorities in developing countries and emerging markets adopt locally anchored and scalable private sector-delivered solutions that improve their capacities and service provision to promote sustainable and inclusive growth, job creation, and a competitive green transition.

The facility will help partner countries and companies develop investment-ready opportunities that support long-term development goals and enable partner countries to adopt more sustainable practices. The Innovation Bridge will contribute to the following development effects:

- Increased likelihood of follow-up financing, with demonstration projects serving as proof of concept for larger investments from public funds, development banks, or commercial and impact actors.
- Positive contributions to green transition, including improved resource efficiency, reduced emissions, or strengthened public services, depending on sector focus.

The following three outcomes will guide the implementation of the facility:

Outcome 1: Scalable private sector technologies and solutions demonstrated to be valid and implementable for use by public authorities' in managing sustainable development challenges [through feasibility studies and demonstration projects]

The Theory of Change is that high quality public-private feasibility studies and demonstration projects generate robust evidence on market demand, regulatory conditions, technical viability, cost-benefit parameters, and financing options. Innovative and sustainable solutions are tested in prioritised sectors, enabling public authorities, companies, and potential investors to assess performance, relevance, and impact. Demonstration projects function as proof of concept, significantly increasing the likelihood of follow-up financing and scale-up through public funding instruments, development finance institutions, or commercial investment, while contributing to the green transition through improved resource efficiency, reduced emissions, or strengthened public services.

Outcome 2: Private companies with sustainable solutions to development challenges have reduced market-entry risks and strengthened investment readiness in regulated and emerging markets

The Theory of Change is that private companies reduce market-entry and regulatory risks by gaining structured insight into public-sector requirements, regulatory frameworks, and institutional processes in priority markets. Through feasibility studies and demonstration projects, companies test and adapt their solutions under actual regulatory and operational conditions, generating credible evidence on technical performance, compliance, cost structures, and commercial viability. This process strengthens companies' investment readiness, credibility, and alignment with public needs, reducing information asymmetries and transaction costs. As a result, companies are more likely to commit own resources, form sustainable partnerships, and mobilise follow-up financing for scale-up and replication, allowing innovative solutions to transition from pilots to commercially viable operations that support public policy objectives and long-term development outcomes.

Outcome 3: Strengthened local capacities and partnerships have enabled sustainable implementation and long-term impact of public-private solutions.

New partnerships and alliances are formed across sectors, including multi-company system solutions and cross-actor collaborations, strengthening local ecosystems for innovation and implementation of private sector solutions. These partnerships improve coordination, ownership, and sustainability, increasing the long-term viability of demonstrated private sector solutions and their integration into public systems, markets, and regulatory frameworks.

3.2 Critical assumptions

The effectiveness of the Innovation Bridge facility is contingent on a set of interrelated critical assumptions that underpin the maturation and conceptualisation of project ideas and their progression from early dialogue to feasibility. The Innovation Bridge facility support can only materialise where an initial collaboration has been established between a private company and a public authority around a

mutually relevant project idea, and where strong local ownership exists. This presupposes that partner authorities clearly articulate regulatory or system-level needs and priorities, allocate sufficient time and human resources to engage in the maturation of a public-private project, and operate within national public-private rules and procedures that permit such collaboration.

It is further assumed that Danish embassies or bilateral programmes possess adequate sector insight and allocate sufficient time and resources to identify viable opportunities, guide a national public-private collaboration, and support early-stage alignment with national reform agendas.

On the private-sector side, companies must assess the projects to hold sufficient commercial potential, comply with relevant EU State Aid rules, and be willing to commit own resources to early-stage collaboration while navigating partner country regulatory risks. Support will be limited to activities addressing development challenges that generate public value and evidence for public-sector adoption. Activities primarily aimed at commercial market entry, product development for private gain, or competitive positioning will not be eligible for support. Finally, it is assumed that feasibility studies and demonstration projects generate credible evidence capable of unlocking follow-up public or private investment.

3.4 Main actors in the public-private collaboration

The facility will operate in ODA-eligible countries where Denmark has a diplomatic representation, consistent with the overall framework for Danish business instruments. Consistent with the Strategic Framework, thematic priorities will remain demand-driven and determined by locally identified development challenges rather than predefined sector allocations.

The facility supports partnerships between private companies, national public authorities, and potentially non-commercial partners, working together to mature, conceptualise, and implement feasibility studies and demonstration projects that address public-sector regulatory or system-level challenges.

Core Partners

National public authorities articulate the public problem or development need such as regulatory gaps, system inefficiencies, new standards, or service-delivery challenges, and confirm that the proposed collaboration aligns with national priorities and rules for collaboration with private sector. The design of supported engagements should reflect the Strategic Framework's principles on local ownership, locally informed implementation and equal partnerships.

Private companies or clusters of companies will inspire or inform potential solutions and provide the technological, operational, or system solutions to be tested. They play a leading role in shaping the commercial logic, technical approach, and scalability pathway of the proposed solution. A credible private-sector business case is required, and companies are expected to contribute own resources and expertise.

A non-commercial partner could be non-government organisations (NGOs), business organisations, or others – with relevant mandates and capacities for tackling specific and confined market gaps can be included in the consortium and add value e.g. through facilitation, technical expertise on social and environmental issues, stakeholder- and community engagement, or capacity development. If relevant, the non-commercial partner can serve as administrative partner.

Danish Embassies. A partnership under the facility could emerge from existing dialogue between national authorities and the Danish Embassy, e.g. within an SSC project, bilateral country programmes, an Impact Fund Denmark (IFDK) Public Infrastructure investment or other sector-relevant MFA

engagement, but they may also arise from direct interaction between authorities and private companies. Ideas may be sparked through study tours, technical missions, company visits, or trade and sector platforms facilitated by embassies, the Trade Council, or Danish authorities.

Danish embassies might support an Innovation bridge partnership in an advisory and facilitative role. They can help identify relevant public-sector challenges, validate alignment with national reforms, and ensure coherence with ongoing Danish engagements. Sector Counsellors and development specialists can contribute to regulatory and institutional insight, while Trade Council advisers can add market realism, commercial perspective, and support identification of private-sector partners.

The One-Stop Shop (OSS), anchored within the Ministry of Foreign Affairs, serves as the primary entry point for companies engaging under Denmark's development and economic diplomacy framework. In relation to the Innovation Bridge facility, the OSS will support information sharing and coherent outreach to companies, including SMEs, across business instruments, in alignment with the mandate of the Danish Business Initiative. The OSS is not involved in project selection or commercial decision-making.

Implementation will follow the broader sustainability principles set out in the Strategic Framework, including proportionate application of corporate sustainability and responsible business conduct throughout the project lifecycle. Appendix 1 provides an overview of the main actors and their roles.

3.5 Cross-cutting concerns and requirements

The facility requires all demonstration projects to integrate corporate responsibility and environmental and social sustainability, including respect for the rights of women and children. International commercial partners must already follow recognised standards for responsible business conduct such as the UN Guiding Principles on Business and Human Rights and the UN Global Compact's 10 Principles, ensuring they avoid and address human rights risks in their operations and supply chains. Lead companies must also have systems in place to ensure environmental sustainability.

Local commercial partners must as a minimum develop and implement a plan for responsible and environmentally sustainable business conduct during the support period, and projects may include assistance to strengthen these practices. Compliance with national legislation is a minimum requirement for all partners. The Fund Manager of this and other instruments will provide guidance on responsible business conduct.

4. Results Framework

The results framework below includes three outcomes, indicators and targets. A more detailed results framework is available in Appendix 2.

Project	Innovation Bridge
Project Development Objective (impact)	Public authorities in developing countries adopt locally anchored and scalable private sector-delivered solutions that improve their capacities and service provision to promote sustainable and inclusive growth, job creation, and a competitive green transition.
Indicators*	# of direct and indirect jobs created or # of people with opportunities for increased income and/or improved livelihoods # people accessing more sustainable services within e.g. water quality, energy supply, food safety and disease prevention # companies introducing sustainable/greener technologies to improve public sector capacities

*Fund manager will track performance against these indicators, but no targets have been defined.

Outcome 1		Scalable private sector technologies and solutions used by public authorities' in managing sustainable development challenges demonstrated to be valid and implementable [through feasibility studies and demonstration projects]
Outcome indicators		1) #solutions adopted by public authorities' which lead to measurable improvements in their service provision or regulatory functions across key SDGs (*1) 2) % of adopted initiatives assessed as viable for scale-up (*1) 3) # of adopted initiatives contributing to tackle development issues at scale after progressing to follow-up financing (public and/or private)
Target	2026	0
Target	2027	3-4 companies with formalised collaboration agreements with a local public authority
Target	2031	1) 8 solutions/projects 2) More than 50% 3) 4-5 initiatives have progressed to follow-up financing (public and/or private)

Outcome 2		Through formal collaboration with local public authorities, private companies have reduced market-entry risks and strengthen investment readiness in regulated and emerging markets.
Outcome indicators		1) # companies with proven business cases for solutions/products acquired/procured by public authorities that address sustainable development challenges 2) % of participating companies reporting reduced regulatory or market risks 3) # of companies advancing to commercial engagement or investment
Target	2026	0
Target	2027	1) 3-4 detailed business plans / value propositions (process indicator) 2) 3-4 companies
Target	2031	1) 7-8 Companies with proven and marketed business cases 2) 70% 3) A total of 8-10 companies with detailed business plans /value propositions ready for further investment

Outcome 3		Strengthened local capacities and partnerships enable sustainable implementation and long-term impact of public-private solutions
Outcome indicators		1) % of projects with active local partners post-E4 facility support 2) # of reported evidence of institutional uptake and good practices
Target	2026	0
Target	2027	1) 2-3 project partnerships with active local partners post-E4 facility support 2) 2-3 learning documents
Target	2031	1) A total of 6-7 project partnerships with active local partners post-E4 facility support 2) A total of 6-7 learning documents

(*1) This indicator will require a certain level of qualitative assessment. The Fund Manager will develop guidance for ensuring a systematic and structured approach and means of verification to assess it.

The results monitoring under this facility will reflect its nature as being early-stage support through feasibility studies and demonstration projects. Importantly, the focus on up-stream support means that the results to realistically expect will be lower-level outcomes, since more intermediate development effects at community or systems level will depend on the wider scale-up and adoption of the solutions demonstrated. This means the outcome indicators will mainly focus on the immediate effect on the public authorities' capacity and service provision from adopting the demonstrated solutions. Some of these lower-level outcomes are difficult to quantify and measure in standardized ways, which means the results monitoring will necessarily have to draw on qualitative indicators and assessments in addition to process indicators. These will be detailed by the Fund Manager during the start-up.

Moreover, due to the challenge fund-based modality, the sectoral focus and targets of the results are indicative. The exact types, scale, and timing of results achieved are ultimately shaped by the demand from companies and local public authorities, the mix of concepts and applications approved, as well as by how individual feasibility studies and demonstrations perform in practice. These outcomes are inherently influenced by external factors in multiple country contexts with different regulatory developments, institutional dynamics, and market conditions that cannot be predicted with certainty at the outset.

The results framework signals the areas where results are expected, the type of change the facility seeks to enable, and the indicators through which progress and learning will be assessed. The latter will be captured under Outcome 3. This approach is consistent with the facility's mandate to de-risk early-stage engagement rather than to deliver guaranteed commercial or development outcomes.

At facility level, the Innovation Bridge will seek to capture and document results that go beyond the sum of individual projects. Results linked to cross-cutting learning, improved public-private collaboration models, and strengthened approaches to addressing regulatory or system-level constraints will be synthesised and reported at facility level. Where demonstration projects contribute to improvements in broader framework conditions such as regulatory clarity, institutional practices, or sector-wide standards these effects will also be documented, even where they extend beyond a single company or project.

Project-level results framework

Results monitoring at project level will be lean, proportionate, and tailored to the specific focus of each feasibility study or demonstration project. Individual project results frameworks will reflect project-specific objectives, risks, and designs, while maintaining alignment with the overall outcomes of the facility. All projects will report against relevant outcome areas, but the selection of indicators will be context-specific and limited to those outcomes that the project can reasonably influence.

5. Outline of the instrument

The Innovation Bridge facility is a challenge-driven instrument that supports early-stage public-private engagement through feasibility studies and demonstration projects addressing public-sector regulatory, institutional, or system-level challenges. The facility focuses on initiatives where the commercial potential of a solution is credible, but where constraints beyond the capacity or risk appetite of the private company alone prevent progress towards implementation or scale.

While commercial projects can generate development benefits without public-sector involvement, the facility specifically targets cases where engagement with public authorities and possibly non-commercial partners is essential to test regulatory compatibility, system integration, institutional feasibility, or public-value relevance. The facility does not finance routine commercial expansion or implementation; instead, it de-risks early-stage engagement by generating credible evidence that can inform public decision-making

and unlock follow-up investment from public, development finance, or commercial sources. Therefore, projects will need to outline preliminary pathways to scale, including potential financing sources and institutional ownership, as part of both application and completion.

5.1 Funding windows

The Innovation Bridge facility is structured around two complementary support windows, reflecting its focus on early-stage maturation and proof of concept rather than full implementation. Each window is summarized below, with details to be developed in the guidelines during implementation.

Window 1: Feasibility and concept maturation

This window supports early-stage public-private concepts that require further maturation and information gathering before a demonstration can be credibly undertaken. Activities focus on clarifying the public-sector problem definition, regulatory and institutional context, technical feasibility, commercial logic, cost-benefit parameters, and potential financing pathways.

Private companies are expected to play a leading role in defining the commercial logic and the technical solution, while public authorities and non-commercial partners contribute with regulatory insight, institutional validation, and facilitation.

The detailed requirements will be outlined in a set of Guidelines including templates for the Concept Paper and the TOR. Table 1 below outlines key features of Window 1.

Table 1: Feasibility Study – key features

Scope	Focus on information gathering and maturation of project idea. Emphasis on analytical work and early stakeholder engagement rather than implementation.
Financing & Duration	Grant of up to DKK 750,000 on a matching basis. Own contribution 50% of total budget in cash or in kind. Expected project duration up to 6-8 months.
Consortium	A consortium will as a minimum consist of an international company in partnership with a public authority. As point of departure the applicant company will be administrative partner, but may nominate another commercial company or a non-commercial partner as administrative partner.
Application	The application will be based on an application form. Applications will be submitted and approved on a rolling basis.
Implementation	A Feasibility Study will be implemented by either a private company or by a consultant hired by e.g. a non-commercial partner as the administrative partner or directly by the company.
State Aid Rules	Based on EU De Minimis Rules. Where support to an individual partner cannot be accommodated within the de minimis ceiling, support may instead be granted under the General Block Exemption Regulation (GBER).
Reporting	Given the relatively small amounts, the innovation bridge facility will be based on lean application and reporting formats while maintaining ODA accountability.

Window 2: Demonstration and proof of concept

This window supports time-bound demonstration projects that test innovative solutions under real-time public-sector conditions. Demonstrations generate empirical evidence on technical performance, compliance, operational feasibility, institutional fit, and environmental or social performance, without constituting full-scale implementation or market roll-out.

The detailed requirements will be outlined in a set of Guidelines including templates for the Concept Paper. Table 2 below outlines key features of Window 2.

Table 2: Demonstration and proof of concept – key features

Scope & objective	The objective is to provide proof of concept that generate increased knowledge of possible technical solutions and enables informed decisions on regulatory reform, public adoption, or follow-up financing.
Financing & Duration	Grant of up to DKK 6,000,000. Own contribution (in cash or in kind) of 25% of the total project budget is to be provided by the commercial partner(s). Expected project duration up to 24 months.
State Aid Rules	Based on EU De Minimis Rules – to be assessed on a case by case basis. Where support to an individual partner cannot be accommodated within the de minimis ceiling, support may instead be granted under the GBER. To ensure compliance with State Aid rules Danish State Aid Secretariat , under the Danish Ministry of Business and Competitiveness, will be consulted by KLIMA and the Fund Manager for specific granted projects in in the upstart.
Consortium	A consortium will as a minimum consist of an international commercial company in partnership with a public authority in the partner country and if relevant, non-commercial partners. The consortium will nominate one member as administrative partner which can either be a commercial company or a non-commercial partner. Upon completion, the public authority in the partner country is expected to take ownership and further management of the demonstration project.
Application	The application will be based on an Application form. Two yearly calls for applications are foreseen. A two-step process will apply. The consortia submit an application based on which a longlist of applicants is selected. Candidates on the longlist are invited to present their project in an interview, based on which a shortlist of candidates are invited to submit a full proposal.
Implementation	A demonstration project will be implemented by the consortium. After termination of the demonstration, the solution/product is handed over to the national authority.
Reporting	Lean and proportionate application and reporting requirements will be applied in order to reflect the limited scale of support while ensuring appropriate accountability for ODA funds.

Selection criteria and application process

All facility-supported initiatives must meet three main selection criteria:

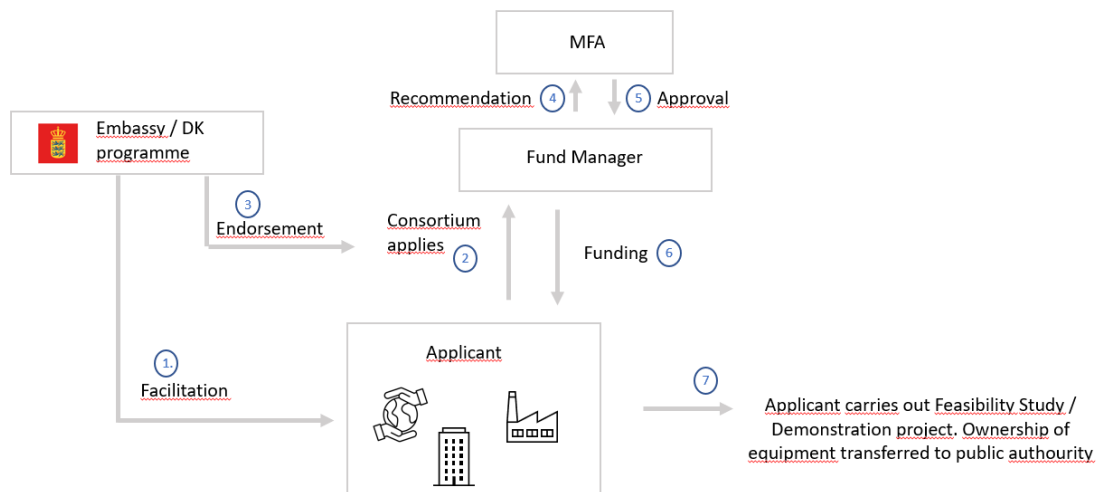
- Primacy of development effects and national alignment: The potential of the solution or product to improve national authorities' ability to promote social and environmental benefits for progress on the SDGs; align with national priorities; and development additionality of support.
- Focus, relevance, and feasibility of project: Clarity of project focus, grounding in relevant wider initiatives, and solidity of implementation plans and partner capacity.
- Business case scale-up and viability: The potential for the business case to be scaled up and be commercially viable, based on realistic pathways for funding and institutional adoption.

These criteria are operationalised through a staged assessment process covering eligibility, strategic relevance, quality, and portfolio fit. The criteria are the same for both feasibility studies and demonstration projects, although relatively basic for feasibility vis-à-vis demonstration projects.

Eligibility screening assesses compliance with basic requirements, including actor composition (at least one international private company and one public authority), capacity, country eligibility, and documentation.

Final selection considers portfolio balance, including country concentration (three projects per country per year), thematic spread, risk profile, and available budget.

Figure 1: Overview of application process



Support under this facility is conditional on clear demonstration of additionality, defined as cases where (i) regulatory, institutional or public-good related constraints prevent market-based implementation, and (ii) such constraints cannot be addressed through commercial financing or existing instruments.

Operational guidelines define the selection criteria and how they will be used for screening and selecting projects from the point where the applications are received and up to the final choice of projects. The distribution of grant funding between participating partners shall be clearly defined in the project proposal.

5.2 Learning

The Innovation Bridge facility is a pilot which seeks to add new dimensions to the ongoing partnerships between Denmark and partner countries, with the vision to strengthen integration of MFA by leveraging the shared space between Denmark's development cooperation and economic diplomacy that realise development impact.

In particular, it builds on a new type of partnership constellation in form of the consortia to be established for the joint application and implementation of the projects. The potential value-added of the facility comes from such new ways of collaboration between public authorities, private businesses, Danish embassies, and others. As the different actors are brought together, new opportunities can be identified and implemented that tackle development issues and generate economic development.

That collaboration will naturally also require good coordination and a sharp understanding of roles between partners, where much of the final clarification and detailed coordination processes only possible to develop as such partnerships are tested and learn from the implementation in practice. This underscores the importance of a learning-based and adaptive approach to this new facility.

Learning generated through the facility will, where relevant, be complemented by international experience and lessons from comparable donor programmes and development finance institutions to support continuous adaptation and improvement.

Consequently, the facility will be managed to allow MFA and partners to understand better the potential of this type of funding and gather experience from practical collaboration. The Fund Manager will concurrently monitor, gather data and information and lessons, and interact with the potential partners

to guide on the establishing the partnerships. In addition, a technical review by early 2028 may be arranged to take stock of preliminary progress, lessons, and guide potential adjustments to the instruments. This information will be broadly communicated.

A Mid-term review for all 5 business instruments will be undertaken in 2029.

6. Budget

The Innovation Bridge facility will be launched in 2026, with an indicative total budget of DKK 90 million (2026-2029). Within the allocation, a defined portion of the budget will be earmarked for a Fund Manager, covering costs related to facility management, outreach, application processing, technical assessment, portfolio monitoring, learning, and reporting.

The subsequent annual budget level will be determined based on demonstrated demand, portfolio performance, and strategic priorities, allowing the facility to operate at scale while maintaining a manageable and diversified portfolio of feasibility and demonstration projects.

The facility support is conditional on financial and/or in-kind contributions from participating project partners, reflecting the facility's additionality principle and ensuring strong commitment from both private and public actors. Private companies are expected to contribute own resources in the form of staff time, technical inputs, data, pilot equipment, or co-financing, while public authorities may contribute in-kind resources such as staff time, access to facilities, data, or institutional support.

Table 3: Overall budget 2026-2029 (mil. DKK)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Feasibility studies	4	7	7							18
Demonstration projects	10	15	20	20						65
<i>Sub-total grants</i>	<i>14</i>	<i>22</i>	<i>27</i>	<i>20</i>						<i>83</i>
Outreach		0.25	0.25							0.5
Fund management		1	2	2	1					6
Mid-term review, audits, studies analysis.		0.25		0.25						0.5
Total										<u>90</u>
Number of projects										
Feasibility Studies	2	16	16	6						40
Demonstration Projects	2	4	5							11

Note: Budget for Fund Management will be adjusted according to the MFA Tender.

The budget is not outcome-based (results-based) in the way of a programme budget, since the facility is a challenge-fund where the level of results depends on the focus and content of applications received. The budget will be flexible to be able to respond to lessons learned and adjust to the demand among companies and public authorities, and the markets they operate in.

Funding will be allocated to commercial project partners in compliance with EU State Aid rules, specifically the de minimis rules as specified under Commission Regulation (EU) 2023/2831³. Under

³ A State Aid Compatibility Assessment has been carried out for each business instrument ensuring compliance with de minimis rules and the General Block Exemption Regulation (GBER).

these rules, a maximum of EUR 300,000 in support may be granted per single undertaking over a rolling three-year period. Where support to an individual partner cannot be accommodated within the de minimis ceiling, support may instead be granted under the General Block Exemption Regulation (GBER). Eligibility for support via GBER will be determined on a case-by-case basis. The State Aid Secretariat under the Danish Ministry of Business and Competitiveness will be consulted by KLIMA and the Fund Manager to ensure compliance, especially in the initial rounds of granted projects.

7. Management arrangements

Governance and overall responsibilities

The MFA holds overall responsibility for the facility, including policy direction, strategic oversight, and accountability for results. MFA is responsible for setting the strategic framework for the facility, ensuring alignment with Danish development policy and business instruments, monitoring portfolio-level risks, and facilitating strategic coordination across the MFA and with external stakeholders.

Day-to-day implementation and administration of the facility will be delegated to a Fund Manager, contracted and overseen by MFA. The Fund Manager will be responsible for operational management of the facility, including administration of calls, assessment of applications, contracting, disbursement of funds, monitoring of feasibility studies and demonstration projects, results reporting, and learning.

The division of responsibilities reflects a clear separation between strategic authority and operational execution, ensuring both policy coherence and efficient implementation. The primary division of responsibilities is outlined in the following:

MFA

- Policy setting, strategic decision making and adjustments, including budget reallocations
- Define main criteria for partnership project selection
- Approve initiatives for support based on recommendations from fund manager
- Overall accountability, lessons learned, adjustment and reporting of the facility and results
- Directing, contracting, and overseeing performance of fund manager
- Payments to fund manager

Fund Manager

- Implement application process, including issuing calls, assessing applications, operational communication with applicants, implementing interviews and recommending projects for approval
- Administer funds, including disbursing to project partners, financial management, and receiving and reviewing financial reports
- Verify, prior to grant award, that grants to beneficiaries are administered in accordance with applicable EU State Aid rules and relevant programme requirements.
- Preparation of necessary technical and administrative guidelines and formats
- Monitor project implementation, including receiving and reviewing reports, conducting monitoring visits, and provide technical quality assurance inputs to projects
- Outreach and communication on the facility
- Results monitoring incl. preparation of annual consolidated results report and financial report
- Prepares annual audited financial statement as per MFA guidelines.

Preparing lessons learned and recommendations for adjustments to the Facility

Monitoring, reporting, and learning

The Fund Manager will be responsible for results monitoring at project and facility level, in line with the facility's learning-oriented approach. Individual feasibility studies and demonstration projects will report against tailored, proportionate results frameworks aligned with the facility outcomes.

At facility level, the Fund Manager will consolidate results into an annual results report, documenting progress against outcomes, emerging lessons, portfolio risks, and recommendations for strategic adjustments. This report will constitute the primary results reporting for the facility and will be reviewed and approved by MFA. Details will be specified in the Fund Manager contract.

The Fund Manager will also conduct monitoring missions to a selected number of supported demonstration projects, focusing on technical quality assurance, risk management, learning, and progress. Sufficient resources will be allocated within the Fund Management budget for financial monitoring visits to demonstration projects, in line with Danida Aid Management Guidelines (AMG) requirements.

MFA will conduct a mid-term review in 2029 of the facility, potentially coordinated with reviews of other Danish business instruments. Subject to findings and portfolio maturity, the MFA may also commission an outcome-oriented evaluation focusing on development relevance, sustainability, and commercial additionality.

Implementation modality and phasing

The Fund Manager should assess and promote opportunities for linkages and complementarities across all five instruments, including those managed in a separate setup at Impact Fund Denmark. Additionally, to further strengthen learnings across the instruments, MFA/KLIMA will ongoingly have working-level consultative engagements with all fund managers both bilaterally and in a joint forum.

Overall, the first year of 2026 will be a transition period. The new management arrangement will be established; new guidelines and processes developed; and a first call prepared and launched, all of which requires a transitory solution, as follows:

The Fund Manager will be selected through a public tender process during 2026. Based on the tender process, it is expected the Fund Manager should be selected and be able to commence the contract by late 2026.

Meanwhile, the first call will be announced in the second half of 2026 in order to meet current and expected demands for support. To accomplish this, the first call will be managed through a short-term consultancy contract for a "Temporary Fund Manager" until the main Fund Management institution is appointed and able to take over.

In summary, indicative implementation milestones are outlined below - following the approval of the grant are as follows:

- Issue call for proposal for joint-Fund Manager (MFA) for E1, E2, and E4: Ongoing
- Outreach activities by MFA /OSS targeting relevant business segments: Ongoing
- Announce call – communication activities (Temporary Fund Manager): September 2026
- Receive/review/recommend application concept notes (Temporary Fund Manager): October 2026
- Approve concept notes (MFA): October/November 2026
- Sign contract with Fund Manager: November/December 2026
- Decide and plan way forward for implementation modality 2027-2029

8. Financial Management

At project level the financial management of the facility-supported initiatives will be the responsibility of the administrative partner designated for each project. All accounting, internal controls, and reporting must comply with MFA AMG and financial management requirements and in accordance with relevant EU State Aid requirements. Feasibility studies and demonstration projects will submit annual financial reports and audited accounts to the Fund Manager as well as a final report upon closure of project.

The Fund Manager is responsible for overall financial management of the facility funds, including verification of partner due diligence, partner financial reports, compliance checks, consolidation of accounts, and submission of annual financial statements to the MFA. An annual external audit will be conducted in accordance with MFA standards.

This management arrangement ensures robust fiduciary oversight while maintaining the flexibility required for early-stage feasibility and demonstration activities under the facility.

9. Risk management

The facility will apply a structured risk management approach aligned with MFA AMG requirements. Risks will be assessed across the three standard categories: contextual, programmatic, and institutional/fiduciary, to be monitored by the Fund Manager and the partnership between the private company, public authority and the non-commercial partner. For Feasibility Studies risks are considered minimum, but risk management will be integrated into screening, project selection, contracting, and implementation. A more detailed risks assessment will be required for demonstration projects.

Overall, and for demonstration projects, contextual risks relate to political instability, weak national public-private frameworks and SOPs, economic volatility, or climate shocks will be monitored and mitigated through close dialogue with embassies.

Programmatic risks include limited partner capacity, unclear roles, weak feasibility studies, delays in approvals of public-private collaboration, unsuccessful demonstrations, or insufficient co-financing will also be monitored in close dialogue with embassies. Mitigation relies on e.g. stringent selection criteria and competitive calls, strong technical screening by the Fund Manager, SSC support to capacity building where needed, and clear partnership agreements.

Institutional and fiduciary risks relate to financial management, procurement, corruption, and compliance with responsible business conduct (RBC), environmental safeguards, and gender, youth and disability inclusion. Local and international partners must comply with national legislation and meet UN Guiding Principles on Business and Human Rights. Demonstration projects must consider RBC and if applicable be supported by cooperation with e.g. the Danish Institute for Human Rights.

Learning is integrated through systematic documentation of risk events and mitigation outcomes, informing future calls for applications and improving overall programme effectiveness.

Appendix 3 includes a detailed Risk Matrix.

10. Exit and sustainability

The last call for applications under the present contribution is expected in 2028, which implies there will be feasibility studies and/or demonstration projects continuing possibly until 2030/31 (assuming an average 18-24 months duration for a demonstration project). A setup for Fund Management will

remain in place at least until that time, however, the level of resources for Fund Management will be adjusted to match a lower management burden after 2030.

The Fund Management contracts will include an option for management of the facility after 2030 and until 2035. The mid-term review will take stock of lessons and MFA's updated strategic considerations and make recommendations for the facility for the remaining support period, or for the strategy for exit.

The results of demonstration projects will be sustainable to the extent the underlying business cases are sustainable. The strategy that underpins the facility to put the commercial case in the driver's seat should therefore also strengthen the sustainability of the projects' development and commercial results. Although the demonstration project will be owned by the local authority, the commercial partners are expected to continue pursuing development effects as integrated element in their business plan and inspire new commercial ventures for change. All demonstration projects will be required to submit completion reports and final financial statements.

Appendix 1 Main actors' roles and responsibilities

One lead partner will hold overall responsibility for project delivery, including coordination and results achievement. Roles and responsibilities of all partners, including public authorities and non-commercial actors, must be clearly defined and contractually formalised.

Table 1 below provides an overview of key roles and responsibilities for the main actors

Actor	Core role	Key roles and responsibilities
Private commercial actors (official applicant)	Solution providers and commercial drivers and implementers	• Provide the technological, operational, or system solutions to be tested • Lead articulation of the commercial logic, scalability pathway, and investment rationale. • Participate actively in feasibility studies and demonstration projects, contributing own financial and/or in-kind resources. • Test solutions under real regulatory and institutional conditions and adapt them to local contexts. • Establish and deepen B2B relationships with local suppliers, distributors, integrators, or service providers. • Use the facility-supported evidence to inform investment decisions and mobilise follow-up financing. • Comply with applicable regulatory, ODA, and state-aid requirements. • Engage local commercial partners providing local market knowledge, operational capacity, and access to customers and/or infrastructure.
National public authorities (ministries, regulators, utilities, municipalities) (partner in the application and final project owner)	Problem-holders and public-interest custodians	• Define or validate the public problem to be addressed (regulatory bottlenecks, system gaps, service delivery challenges). • Ensure alignment with national priorities, reform agendas, and public-private engagement rules and procedures. • Provide regulatory and institutional context for feasibility studies and demonstrations. • Participate in governance of facility-supported initiatives and assess compliance and relevance. • Use evidence from demonstrations to inform regulatory decisions, standards, or system reforms. • Safeguard public interest, including transparency, regulatory integrity, and ODA eligibility. • Project owner – will be responsible for the project once it is handed over.
Non-commercial partners (NGOs, industry associations, other with relevant capacities) (partner and possible administrator of E4 funds)	Facilitators, administrator and financial manager	• Facilitate collaboration between public and private actors and support • Contribute contextual analysis, sector expertise, and stakeholder engagement. • Support capacity development of local partners where directly linked to feasibility or sustainability. • Assist with project and financial management, reporting, and compliance, if acting as administrative partner. • Ensure social, environmental, and responsible business considerations are integrated into project design. • Align activities closely with the commercial business case and public-sector processes, avoiding parallel tracks. • Administer and manage funds at the local level
Danish Embassies / Missions	Convenors, facilitators, and quality enhancers	• Identify and validate facility-relevant public-sector challenges through policy dialogue and green diplomacy. • Support early idea maturation and strategic screening of concepts together with the local authorities. • Facilitate dialogue between public authorities, private companies, and

Actor	Core role	Key roles and responsibilities
		non-commercial partners. • Ensure alignment with national reform agendas, SSC projects, and Danish strategic priorities. • Provide market insight (Trade Council) and regulatory/system insight (Sector Counsellors). • Promote coherence across Danish instruments and pathways to follow-on financing or implementation. • Act in an advisory, non-decisional role.
Danish authorities	Strategic and technical advisers	• Provide in-depth sector, regulatory, and institutional expertise based on G2G cooperation. • Ensure facility-supported ideas are anchored in existing reform agendas and institutional capacities. • Advise on sequencing of reforms and where demonstrations can generate actionable evidence. • Share experience from public-private collaboration in Denmark • Identify relevant Danish strongholds and system solutions suited to partner-country needs. • Support coherence between facility, SSC implementation, and complementary Danish instruments. • Operate in an advisory and strategic (non-operational) capacity.

Private commercial actors

Private commercial actors constitute a diverse group of companies and, in some cases, investors that share an interest in delivering social and/or environmental improvements through commercially viable business models. Participation under the facility is premised on the existence of a credible core business case; all participating companies are expected to aim for long-term commercial sustainability rather than grant dependence.

The portfolio is expected to include both large companies with established operations in developing and emerging markets and small and medium-sized enterprises (SMEs) that may be entering new markets or engaging for the first time with specific partner countries, regulatory environments, or public-sector counterparts. Many participating companies are expected to originate from Danish stronghold sectors, while others may be international firms with relevant technological or system solutions.

The facility does not engage with micro-enterprises or very early-stage start-ups whose core business models have not yet been demonstrated, as these are more appropriately supported through other innovation or venture facilities. Instead, the facility targets companies facing early-stage risks related to regulatory uncertainty, market adaptation, system integration, or public-sector interface and risks that cannot be addressed through commercial financing alone.

Support needs vary across the portfolio. Smaller and medium-sized companies often focus on establishing or adapting value chains, while larger companies may provide scale and system-level solutions with potential for broader market and development impact. Many companies require support to test products or system solutions in unfamiliar regulatory environments, where consumer demand, local partners, distribution networks, or compliance requirements are not yet fully understood.

Local commercial partners may play important roles as suppliers, distributors, or service providers within supported value chains. These are typically small or medium-sized enterprises that may face constraints related to credible international partners, market access, management capacity, workforce skills, or responsible business practices. Supported partnerships may therefore address such constraints, including

through capacity development related to business management, environmental sustainability, and responsible business conduct, where these are directly linked to the feasibility and sustainability of the demonstrated solution.

At the same time, the facility creates structured opportunities for Danish and international companies to establish and deepen business-to-business (B2B) relationships with local firms. Through feasibility studies and demonstration projects, international companies can identify, test, and formalise partnerships with local suppliers, distributors, technology integrators, or service providers under real market and emerging regulatory conditions. This early-stage collaboration allows both parties to assess compatibility, risk-sharing arrangements, and commercial potential before entering into longer-term contractual commitments. By facilitating these B2B linkages, E4 facility supports the development of locally anchored value chains, reduces market-entry risks for international companies, and enhances the prospects for sustained commercial presence, technology transfer, and job creation beyond the duration of the facility support.

Role of national public authorities

Public authorities are central actors in the facility-supported initiatives, reflecting the facility's core focus on addressing public-sector regulatory, institutional, and system-level challenges. Public authorities participate not as implementers of commercial activities, but as mandate-holders responsible for regulation, policy implementation, service delivery, and oversight within the relevant sector.

Under the facility, public authorities typically define or validate the public problem to be addressed, such as regulatory bottlenecks, system inefficiencies, compliance challenges, or gaps in public service delivery. They provide the institutional and regulatory context within which feasibility studies and demonstration projects are conducted and play a key role in assessing compliance, relevance, and potential integration of demonstrated solutions into public systems, frameworks, or reform processes.

Public authority engagement ensures that the facility-supported activities respond to genuine public needs and policy priorities, and that demonstrations generate actionable evidence for decision-making. Their involvement also safeguards public interest, including ODA eligibility, regulatory integrity, and transparency. Importantly, public authorities retain full sovereignty over policy and regulatory decisions.

Non-commercial partners

Non-commercial partners under the facility include e.g. Danish, international or national NGOs, commerce and industry associations, and other relevant non-commercial actors with strong contextual knowledge, sector and technical expertise. These partners contribute critical capacities related to facilitation, capacity development, stakeholder- and community engagement, and contextual analysis, helping keep partnerships inclusive, accountable, and grounded in the local context.

The non-commercial partner can administer and manage funding from the facility.

All non-commercial partners are expected to have solid country experience, established networks, and proven capacities in project and financial management, implementation, and reporting helping ensure that development impact also reaches the most vulnerable groups. Depending on the intervention, they may bring sector-specific expertise in areas of relevance. Their presence on the ground also helps anchor projects in broader structural change, strengthening the conditions for development at the national, regional, and global level.

In line with the objectives of the facility and lessons learned from previous facilities (DMDP and DGBP), strong emphasis is placed on non-commercial partners' ability to work effectively with private-sector actors. This includes a robust understanding of commercial logic, investment dynamics, and the need to

align non-commercial activities closely with the underlying business case. Non-commercial partners are expected to synchronise their support with private-sector and public-sector processes, avoiding parallel implementation tracks that are disconnected from commercial or regulatory realities.

This approach reflects the recommendation from the MTR of DMDP/DGBP (2025) to prioritise non-commercial partners with demonstrated experience in private-sector engagement and a clear mandate and capacity to facilitate collaboration across public and private actors in support of scalable, sustainable solutions.

Role of Danish embassies

Danish embassies will play an important enabling role in strengthening the quality, relevance, and maturity of ideas generated under the facility, drawing in particular on the expertise of Trade Council advisers and if applicable Sector Counsellors engaged through SSC or other bilateral programmes. Through structured, advisory engagement at early stages of the facility pipeline, embassies can help ensure that emerging concepts are well anchored in local policy priorities, regulatory realities, and market conditions, while safeguarding public value and avoiding conflicts of interest.

Embassy staff can support early idea maturation by providing contextual validation and strategic screening, helping partners assess whether an idea addresses a genuine public-sector challenge, aligns with national reform agendas, and complements ongoing SSC dialogues or other Danish engagements. Sector Counsellors can strengthen the public-sector problem definition and regulatory logic of the facility concepts by clarifying institutional bottlenecks and reform needs, ensuring that proposals are framed around public mandates rather than standalone technologies. Trade Council advisers contribute market and commercial realism, supporting assessment of demand, procurement practices, investment barriers, and potential pathways to scale, including identification of relevant local partners or off-takers.

In addition, embassies can use their convening power (green diplomacy) to facilitate early dialogue with relevant public authorities, regulators, utilities, and credible local partners, thereby strengthening ownership and reducing downstream transaction costs. By maintaining an overview of SSC programmes, trade promotion activities, and other Danish funding instruments or other supported initiatives, embassies also help ensure coherence and complementarity across Danish instruments and clearer pathways from supported feasibility and demonstration to follow-on financing or implementation. Embassy engagement is advisory; when applied in this manner, it serves as an informal quality assurance mechanism that enhances the operationalisation and impact potential of the facility-supported concepts.

Appendix 2 Results Framework

Project	Innovation Bridge
Project Development Objective (impact)	Public authorities in developing countries adopt locally anchored and scalable private sector-delivered solutions that improve their capacities and service provision to promote sustainable and inclusive growth, job creation, and a competitive green transition.
Indicators*	# of direct and indirect jobs created or # of people with opportunities for increased income and/or improved livelihoods # people accessing more sustainable services within e.g. water quality, energy supply, food safety and disease prevention # companies introducing sustainable/greener technologies to improve public sector capacities

*Fund manager will track performance against these indicators, but no targets have been defined.

Outcome 1		Scalable private sector technologies and solutions used by public authorities’ in managing sustainable development challenges demonstrated to be valid and implementable [through feasibility studies and demonstration projects]
Outcome indicators		1) #solutions adopted by public authorities’ which lead to measurable improvements in their service provision or regulatory functions across key SDGs (*1) 2) % of adopted initiatives assessed as viable for scale-up (*1) 3) # of adopted initiatives contributing to tackle development issues at scale after progressing to follow-up financing (public and/or private)
Target	2026	0
Target	2027	3-4 companies with formalised collaboration agreements with a local public authority
Target	2031	1) 8 solutions/projects 2) More than 50% 3) 4-5 initiatives have progressed to follow-up financing (public and/or private)

Output 1.1	Feasibility studies completed including regulatory, cost-benefit and financing analysis and validation by private company(ies) and public authority partners
Output indicator 1.1	# of high-quality public-private feasibility studies completed and validated.
Target 2031	40
Output 1.2	Demonstration projects implemented
Output indicator 1.2	# of demonstration projects implemented and tested
Target 2031	11

Outcome 2		Private companies with sustainable solutions to development challenges have reduced market-entry risks and strengthened investment readiness in regulated and emerging markets
Outcome indicators		1) # companies with proven business cases for solutions/products acquired/procured by public authorities that address sustainable development challenges 2) % of participating companies reporting reduced regulatory or market risks 3) # of companies advancing to commercial engagement or investment
Target	2026	0
Target	2027	1) 3-4 detailed business plans / value propositions (process indicator) 2) 3-4 companies
Target	2031	1) 7-8 Companies with proven and marketed business cases 2) 70% of participating companies report reduced regulatory or market risks 3) A total of 8-10 companies with detailed business plans /value propositions ready for further investment

Output 2.1	Companies have gained early insight into regulatory frameworks and public-sector requirements.
Output indicators 2.1	1) # of companies engaged in structured regulatory dialogue 2) # Company-reported usefulness of regulatory engagement
Target 2031	1) 30 2) 30
Output 2.2	Companies have tested and validated solutions in public-sector environments.
Output indicators 2.2	1) # of companies participating in demonstrations 2) % of demonstrations generating actionable business evidence
Target 2031	1) 11 2) 70
Output 2.3	Companies have strengthened investment readiness and partnerships
Output indicators 2.3	1) # of companies developing investment-ready concepts 2) # of partnerships formed with public or private actors
Target 2031	1) 25 2) 11

Outcome 3		Strengthened local capacities and partnerships have enabled sustainable implementation and long-term impact of public-private solutions
Outcome indicators		1) % of projects with active local partners post-E4 facility support 2) # of reported evidence of institutional uptake and good practices
Target	2026	0
Target	2027	1) 2-3 project partnerships with active local partners post-E4 facility support 2) 2-3 learning documents
Target	2031	1) A total of 6-7 project partnerships with active local partners post-E4 facility support 2) A total of 6-7 learning documents

Output 3.1	Local public and private actors have strengthened technical and institutional capacity through joint implementation.
Output 3.1 indicators	1) # of local partner companies with their staff trained 2) % of projects demonstrating increased capacity (means of verification tbd by FM)
Targets 2031	1) 20 2) 50%
Output 3.2	New public-private and multi-actor partnerships and alliances are established.
Output indicators	1) # of formalised partnerships 2) # of multi-company system solutions
Target 2031	1) 11 2) 8
Output 3.3	Knowledge and learning from public-private E4 facility-supported initiatives are captured and applied.
Output 3.3 indicators	1) # of learning products produced 2) # of learning documents informing decisions
Target 2031	1) 10 2) 10

(*1) This indicator will require a certain level of qualitative assessment. The Fund Manager will develop guidance for ensuring a systematic and structured approach and means of verification to assess it.

Appendix 3 Risk Matrix

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
The risk is formulated as a headline or in one or two sentences	- Very unlikely - Unlikely - Likely - Almost certain	- Insignificant - Minor - Medium - Medium-High - Major - Significant	The risk response is formulated as a headline or in one or two sentences	The risk that remains after the identified risk response.	Brief explanation which can emphasize the risk factor itself or any of the other elements in terms of rating and responding to the risk

Contextual risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Escalating global trade war and financial risk	Almost certain	Major	Continue focus on supporting risk reduction	Major	Global trade war with tariff increases and geopolitical fragmentation push companies' trade and investment focus towards local/regional markets.
Global conflict disrupts supply chains	Likely	Major	Continue support through risk reducing measures towards the commercial actors.	Major	Conflict, climate shocks, and rising costs disrupt global supply chains and multiply costs and time of global transport/freight and uncertainty. This reduces the appetite and potential viability of international/Danish commercial actors in investments and sourcing in the Developing countries.
Political instability or conflict disrupts engagement with public authorities or implementation of demonstrations.	Medium	High	Country screening; embassy political analysis, flexible timelines, portfolio diversification across countries.	High	Many target countries are low- or middle-income contexts with political volatility, upcoming elections, or fragile governance structures. Such instability may disrupt national markets and implementation of commercial projects. Public-sector engagement and approvals may be delayed or reversed.
Regulatory or policy changes undermine feasibility assumptions or demonstration design.	Medium	Medium-High	Close engagement with partner authorities, SSC input; adaptive project design, phased funding commitments	Medium-High	The facility operates in reform-oriented sectors where regulatory frameworks are evolving. Policy shifts are likely during project lifetimes and can affect assumptions.
Weak enabling environment (data gaps, infrastructure constraints) limits feasibility or testing of solutions.	Medium	Medium	Pre-feasibility diagnostics, staged support, authority endorsement; exit options built into contracts.	Medium	Data gaps, infrastructure deficits, and institutional capacity constraints are common in these contexts and may constrain demonstrations.
Climate or environmental	Medium	Medium	Climate risk screening,	Medium	Increasing frequency of extreme weather events poses risks to

shocks affect demonstration activities or infrastructure.			contingency planning; resilient demonstration design.		pilots, particularly in water, energy, and food/agriculture sectors.
Macroeconomic volatility affects partner co-financing or operational capacity.	Medium	Low	In-kind contributions, conservative budgeting; cost flexibility.	Low	Inflation, exchange-rate volatility, and fiscal stress can affect partner contributions and costs. Project timeframe is relatively short, so macro-volatility might not impact on implementation.

Programmatic risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Insufficient pipeline of high-quality E4 concepts meeting eligibility and relevance criteria.	Medium	Medium	Active outreach via embassies, SSC, Trade Council, State of Green; industry associations etc.	Medium	Early-stage public-private collaboration requires active facilitation; demand will not emerge automatically without outreach.
Weak or declining engagement from public authorities.	Medium	High	Formal authority endorsement, SSC alignment, clear role definitions; exit clauses.	High	Authorities face competing priorities, staff turnover, and limited incentives to engage in pilots.
Commercial viability not confirmed through feasibility or demonstration.	Medium–High	Medium	Portfolio-level risk tolerance, learning-oriented success criteria.	Medium	E4 explicitly targets early-stage, high-risk concepts where outcomes are uncertain.
Demonstrations fail to generate credible evidence for decision-making or scale-up.	Medium	High	Clear demonstration objectives, technical QA, performance benchmarks, opportunity for monitoring visits.	High	Poorly scoped or under-resourced pilots may not provide decision-grade evidence.
ODA eligibility or state-aid compliance risks.	Low–Medium	High	ODA screening tools, legal review, ODA risk included in risk matrices, Fund Manager and MFA oversight.	Medium–High	Blended public-private interventions carry inherent ODA and state-aid risks.
Limited follow-up financing despite technically successful demonstrations.	Medium	Medium	Early investor/DFI engagement, investment-readiness focus, documentation of proof of concept, links to other instruments.	Medium	Demonstrations alone may not be sufficient to trigger investment without early investor engagement.

Institutional and operational risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Insufficient performance or	Low–Medium	High	Competitive procurement, clear KPIs, annual	Medium–High	E4 requires specialised skills in public-private collaboration, early-stage innovation, and

capacity of the Fund Manager.			performance reviews, MFA oversight.		fiduciary management. Market supply is limited.
Non-commercial partner lacks capacity to manage funds and reporting.	Medium	High	Due diligence, minimum capacity criteria, opportunity for financial monitoring visits, corrective action plans.	High	Local and/or non-commercial partners may have uneven fiduciary capacity.
Coordination failures between private company, national public authority and the non-commercial partner, and other partners: Fund Manager, embassies, SSC, etc.	Medium	Medium	Clear roles, coordination protocols, regular coordination meetings.	Medium	E4 is relatively complex due to the involvement of multiple actors (public and private)
Learning and lessons not systematically captured or used.	Medium	Medium	Dedicated learning function, annual synthesis reports, learning embedded in ToC. Fund Manager roles and responsibilities.	Medium	Early-stage facilities risk focusing on delivery rather than learning.
Reputational risk due to perceived undue private benefit or regulatory capture.	Low	High	Transparency requirements, MFA authority leadership, clear communication of public interest safeguards.	Medium	Public funding of private-sector engagement may attract scrutiny.
High staff turnover among key partners affects continuity.	Medium	Medium	Institutional anchoring in national public authority, private sector leadership, documentation, handover procedures	Low	High turnover in public institutions and projects is common. Project timeframe is relatively short which such mitigate the risk of negative impact.

The facility is designed as an early-stage, risk-tolerant facility. Project-level failure is anticipated and does not constitute programme failure provided learning is generated and portfolio-level risk remains manageable. Risk mitigation therefore focuses on portfolio diversification, commitments, and systematic learning, with the opportunity for regular reviews enabling adjustment of selection criteria, modalities, and engagement strategies.